



Mexico: Economic Outlook and Risks

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Mexico: Stable growth in the context of a regional recession



Latin America and the Caribbean Real GDP Growth
(Percent)

	2014	2015	Projections	
			2016	2017
Latin America and the Caribbean¹	1.3	-0.1	-0.5	1.5
Argentina	0.5	1.2	-1.0	2.8
Brazil	0.1	-3.8	-3.8	0.0
Chile	1.8	2.1	1.5	2.1
Colombia	4.4	3.1	2.5	3.0
Mexico	2.3	2.5	2.4	2.6
Peru	2.4	3.3	3.7	4.1

Source: IMF, World Economic Outlook database.

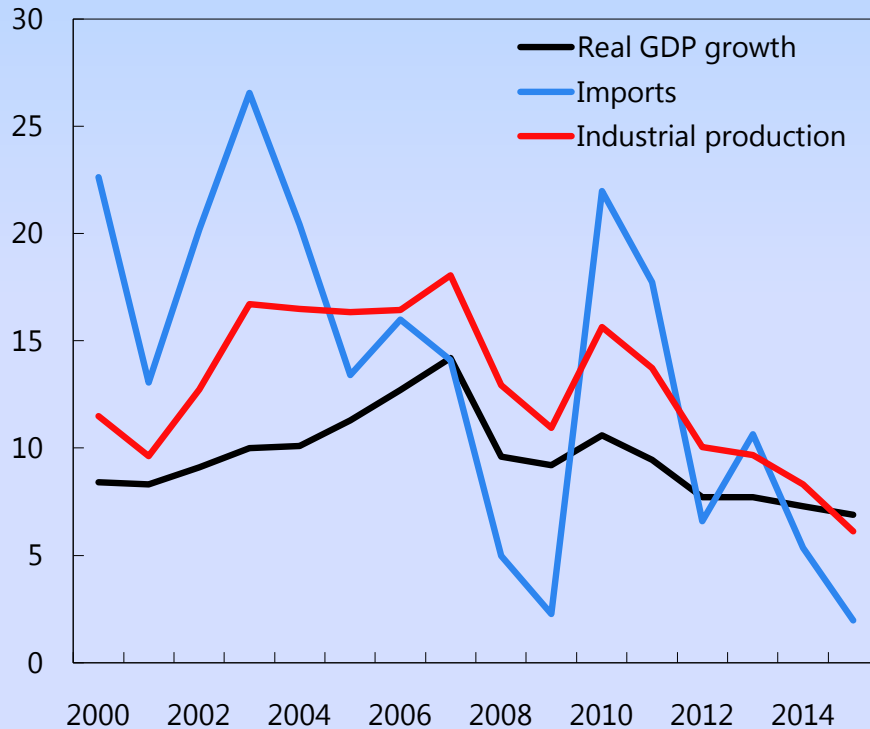
¹Purchasing-power-parity GDP-weighted averages.

Source: IMF, World Economic Outlook database.

Note: Historical average refers to the average growth from 2000–13.

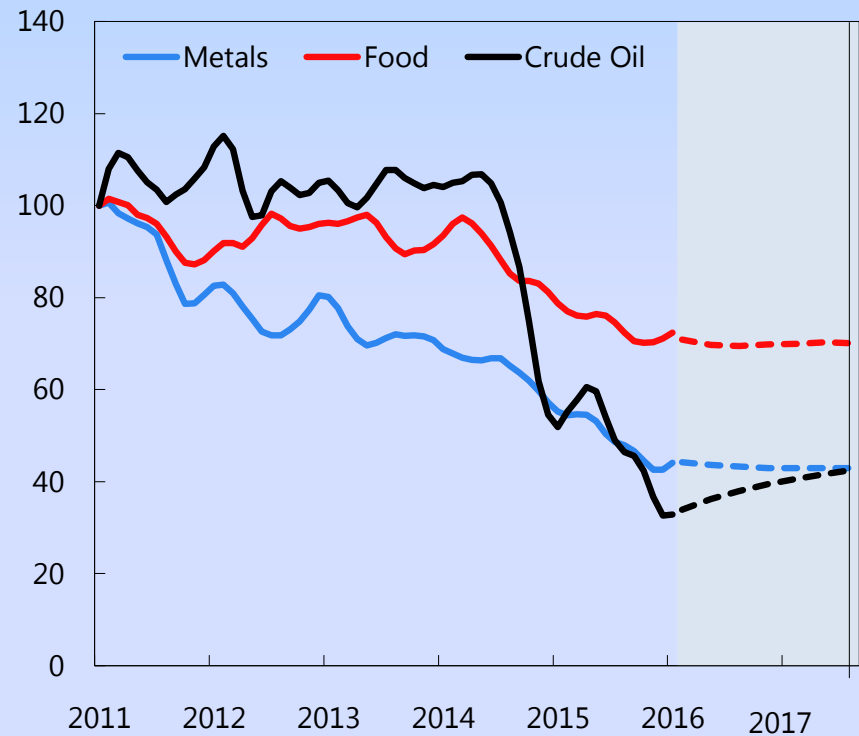
External conditions have become more difficult: The slowdown in China put downward pressure on commodity prices...

China: Real GDP Growth, Imports, and Industrial Production
(Percent change)



Sources: Haver Analytics; and IMF, World Economic Outlook database.

Commodity Prices
(Index: 2011:Q1 = 100; based on prices in U.S. dollars)

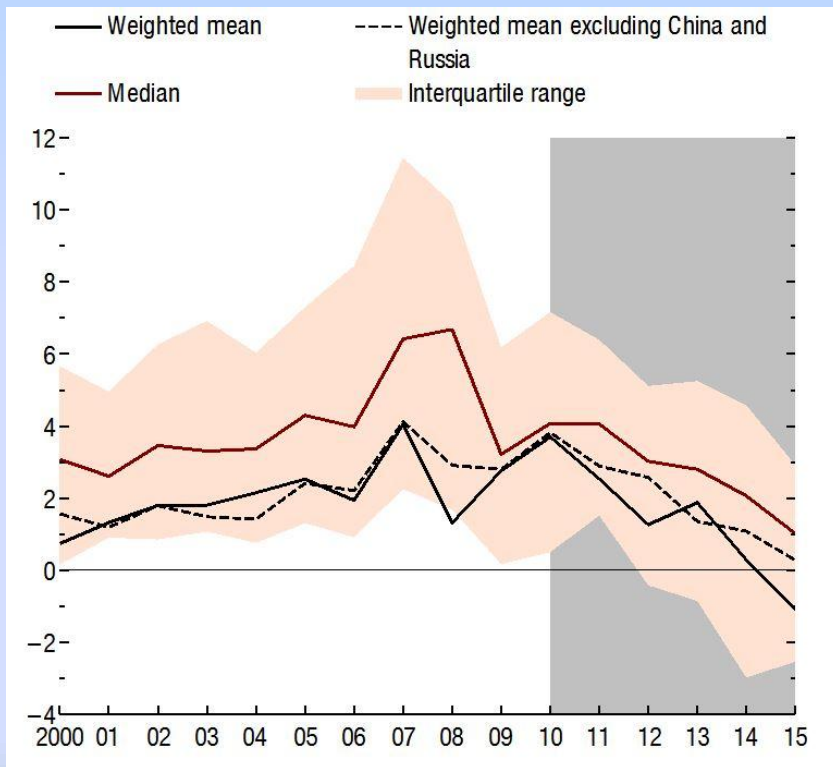


Sources: Bloomberg, L.P.; IMF, World Economic Outlook database; and IMF staff calculations and projections.

... while global financial conditions tightened and capital flows to EMs declined

Net Capital Inflows to Emerging Market Economies

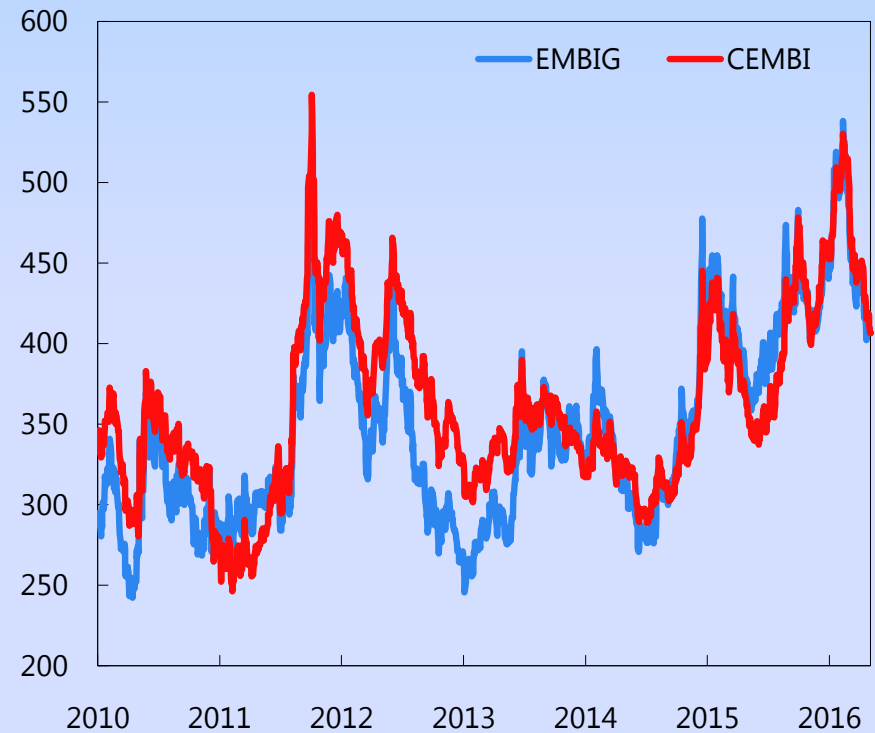
(2000–15:Q3, percent of GDP)



Sources: IMF, World Economic Outlook.

External corporate and sovereign risks spreads

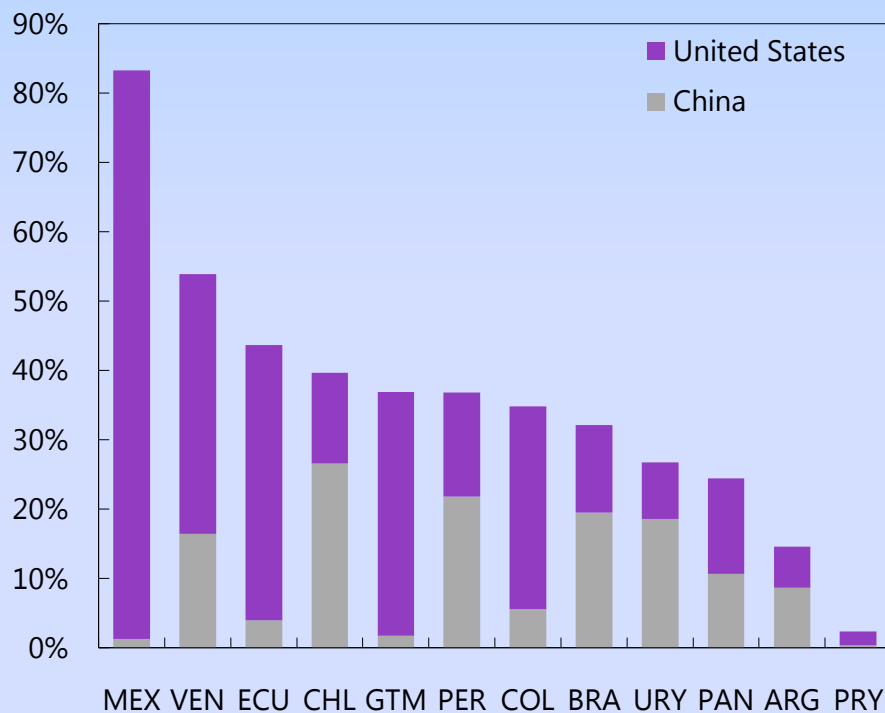
(Basis points)



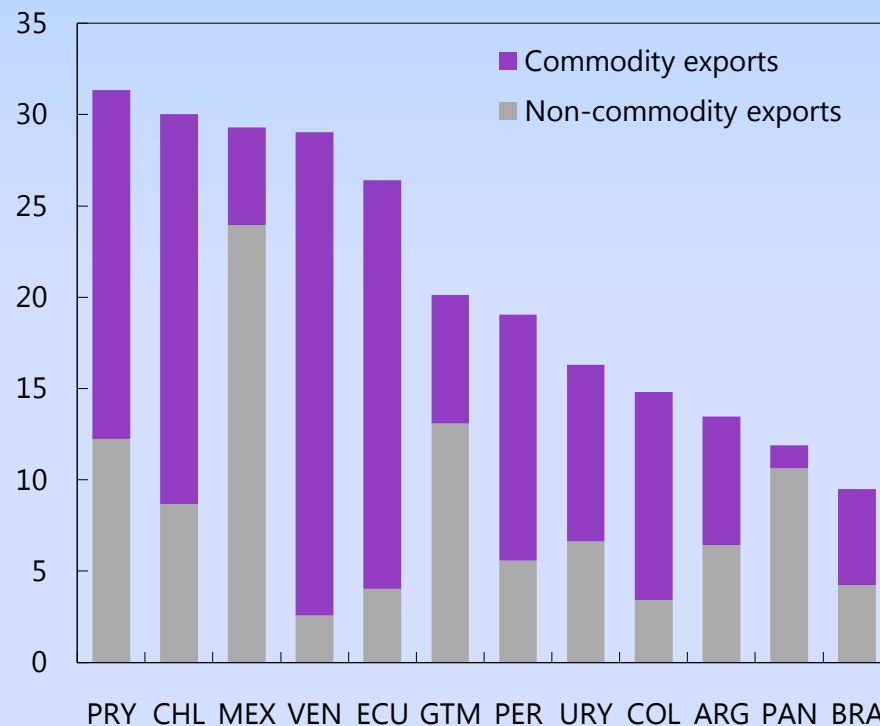
Sources: National authorities; Haver Analytics; EPFR; INS; Bloomberg; and IMF staff calculations.

Mexico's Resilience: Strong trade links with U.S. and low dependence on commodity exports

Export Destinations, 2015
(Percent share of exports)



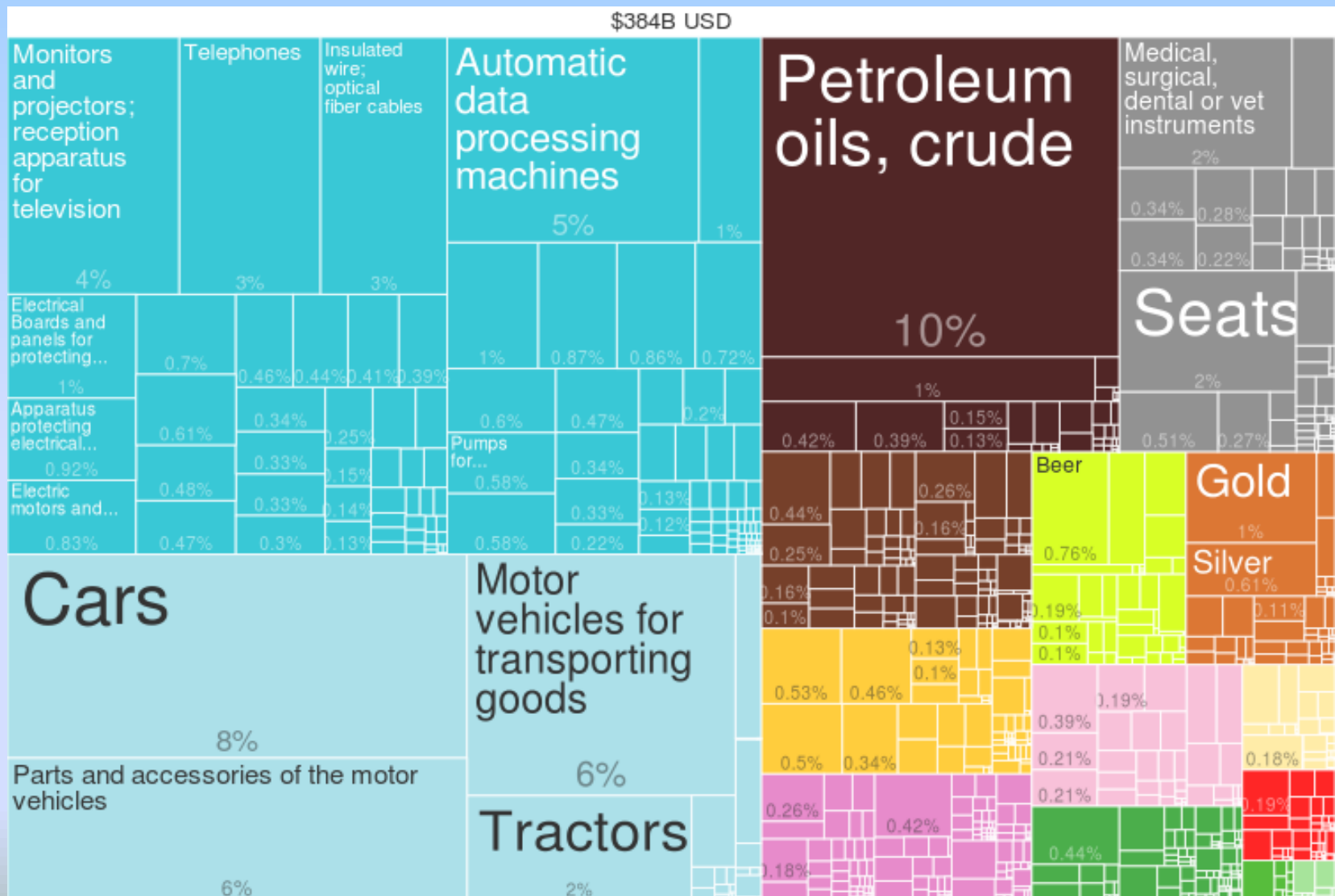
LAC Exports to the World
(Average 2010–13; percent of GDP)



Source: IMF, Direction of Trade Statistics database.

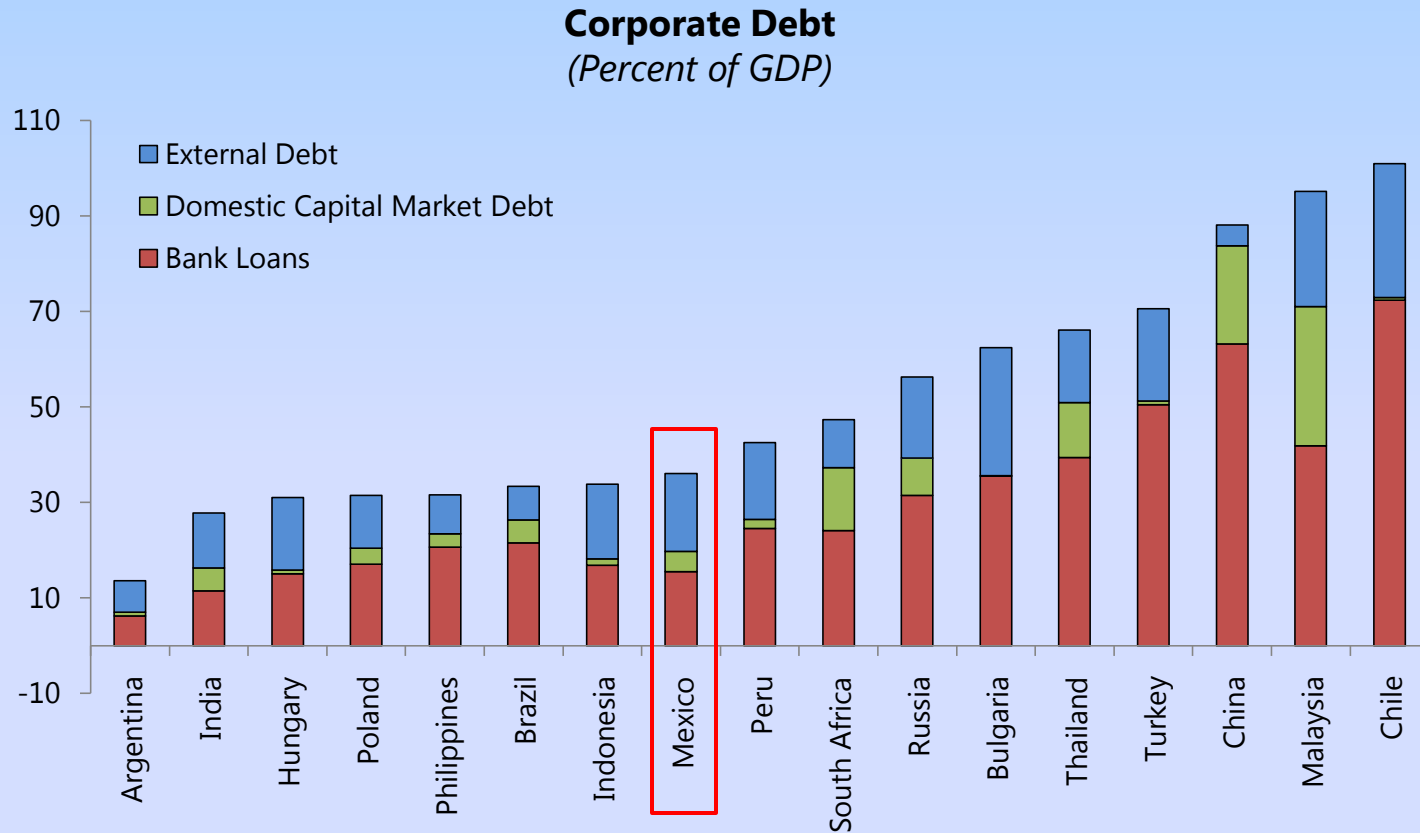
Sources: UN Comtrade; IMF, World Economic Outlook database; and IMF staff calculations.

A well-diversified export base



Source: Atlas of economic complexity, 2014.

Relatively low corporate debt

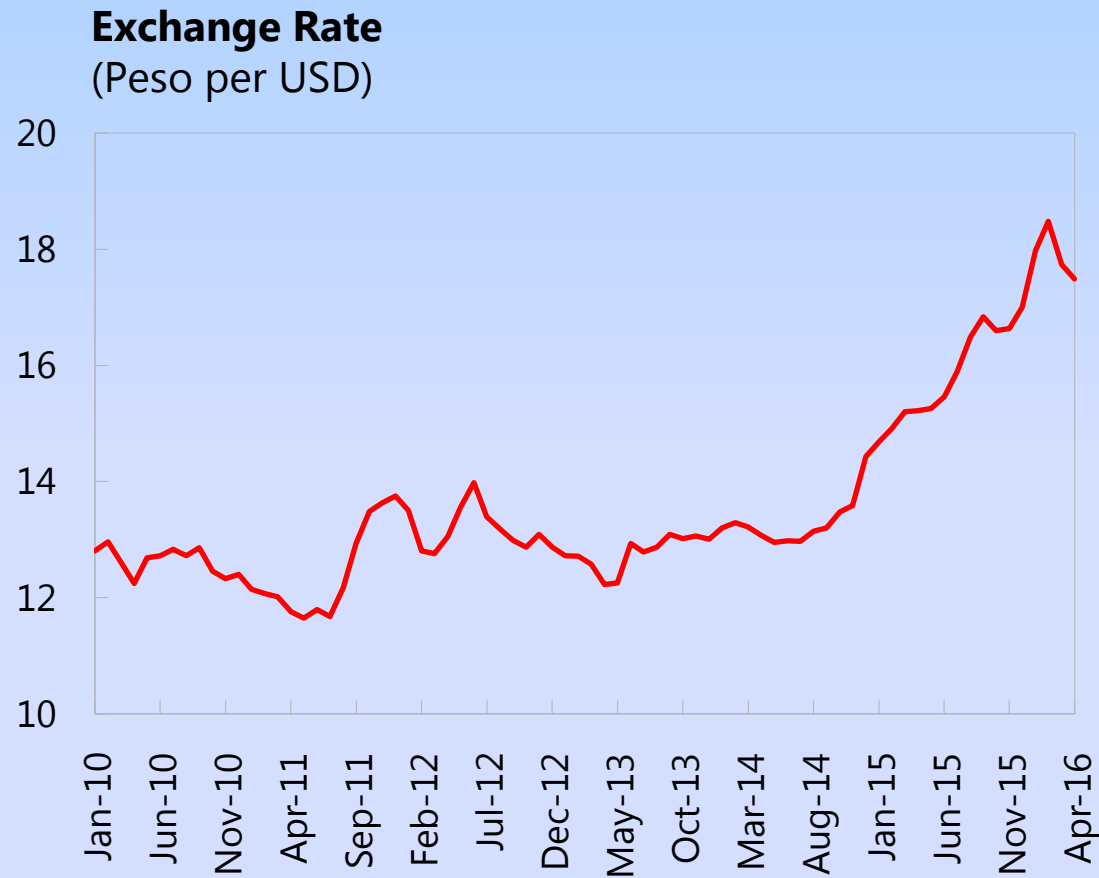


Source: National authorities and Haver Analytics.

Mexico's resilience: Comprehensive structural reforms supporting potential growth

- Energy
- Telecommunications
- Competition
- Education
- Labor markets
- Financial
- Fiscal

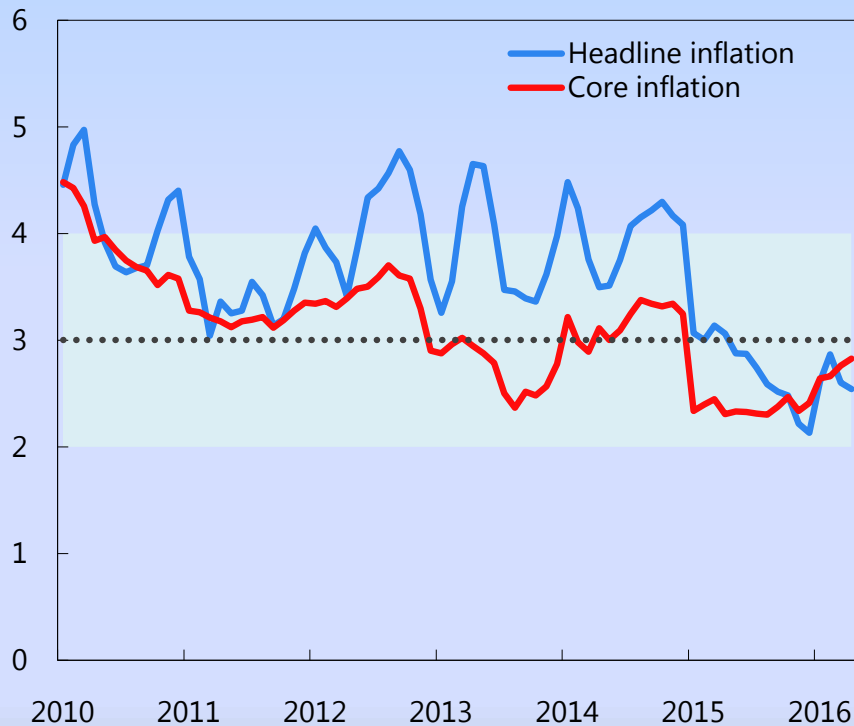
Good policies: Flexible exchange rate regime



Source: National authorities and Haver Analytics.

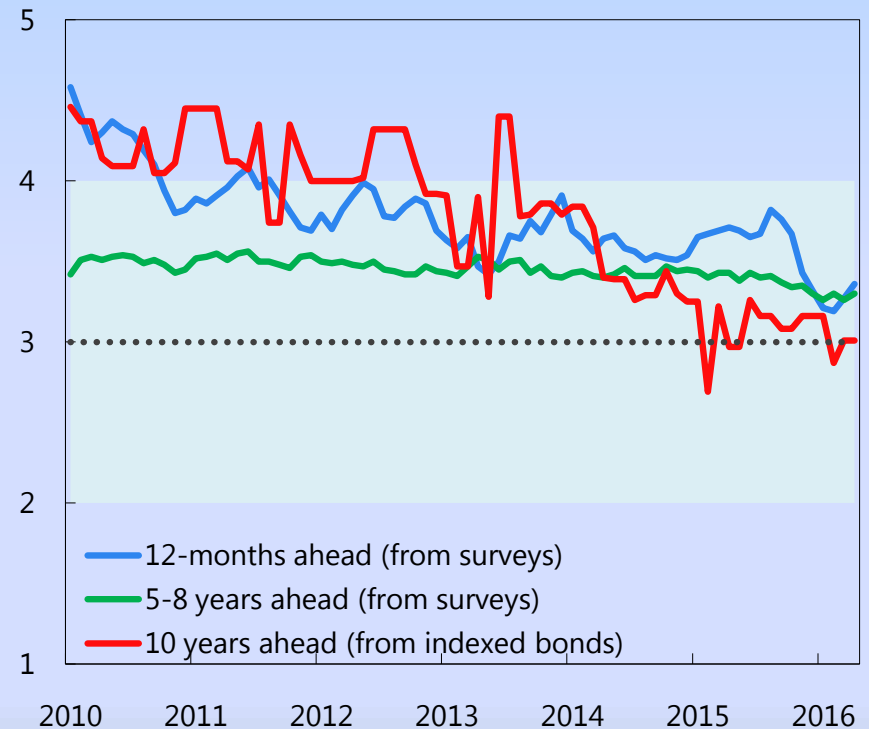
Good policies: Credible inflation-targeting regime

Inflation
(Y/Y percent growth)



Source: National authorities and Haver Analytics.

Inflation Expectations
(In percent)



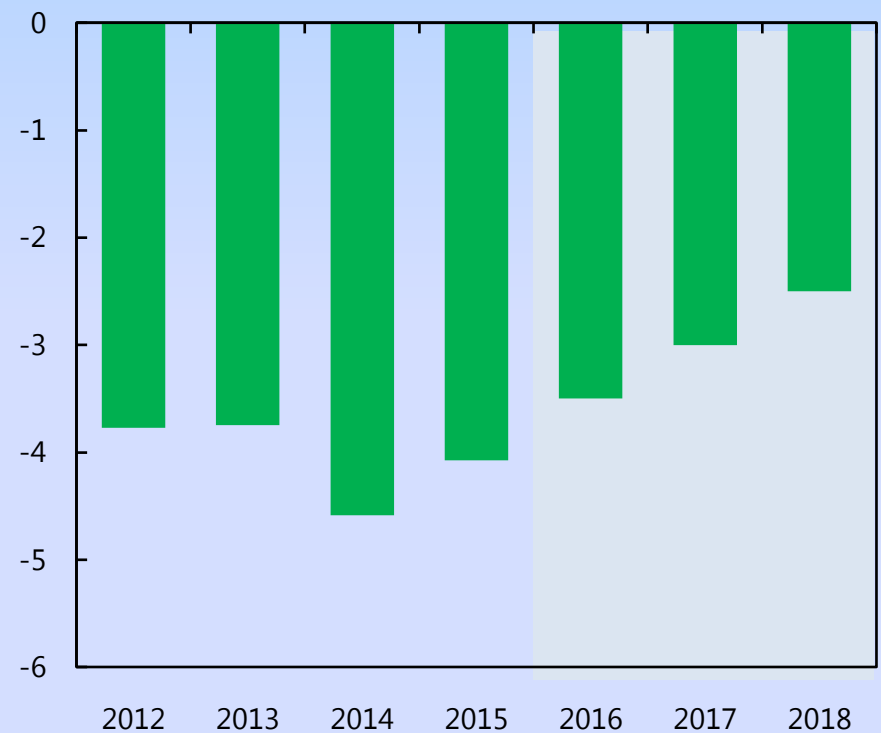
Source: National authorities and Haver Analytics.

Good policies: Commitment to reduce fiscal deficit and reverse upward trend in public debt

Gross Public Sector Debt
(Percent of GDP)



Fiscal Balance
(Percent of GDP)

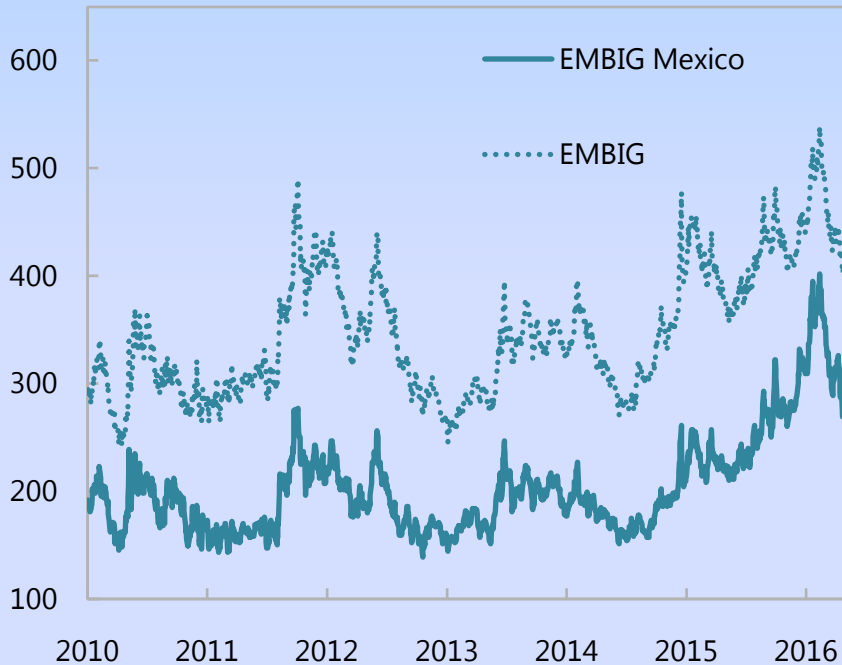


Sources: IMF, World Economic Outlook database; and IMF staff calculations.
¹ Fitch sovereign credit rating peer group includes Brazil, Chile, Colombia, India, Poland, Russia, South Africa, Thailand, and Turkey, as reported in April 2015.

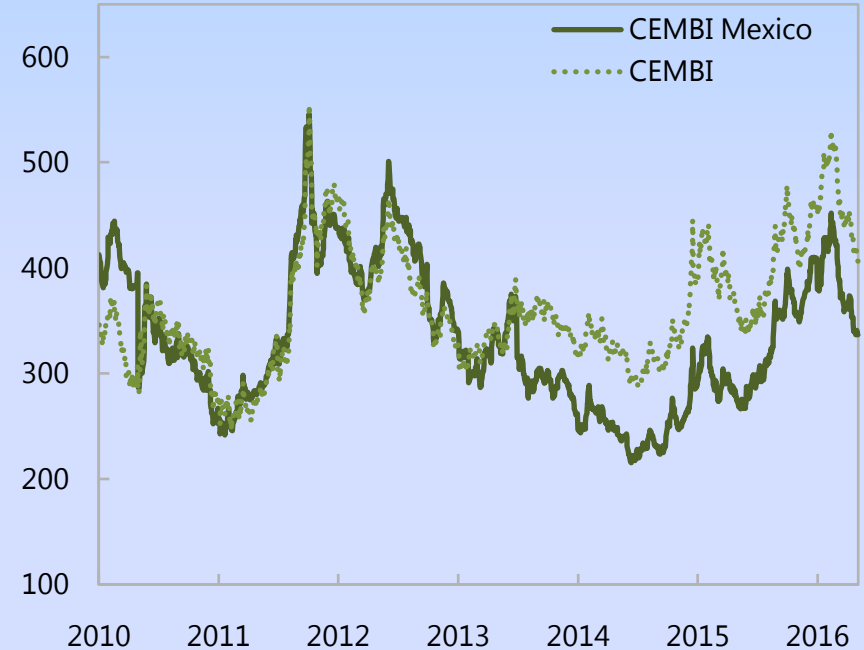
Source: IMF, World Economic Outlook database.

Good macroeconomic policies have supported investors' confidence in Mexico

EMBIG and CEMBI Spreads
(In basis points)



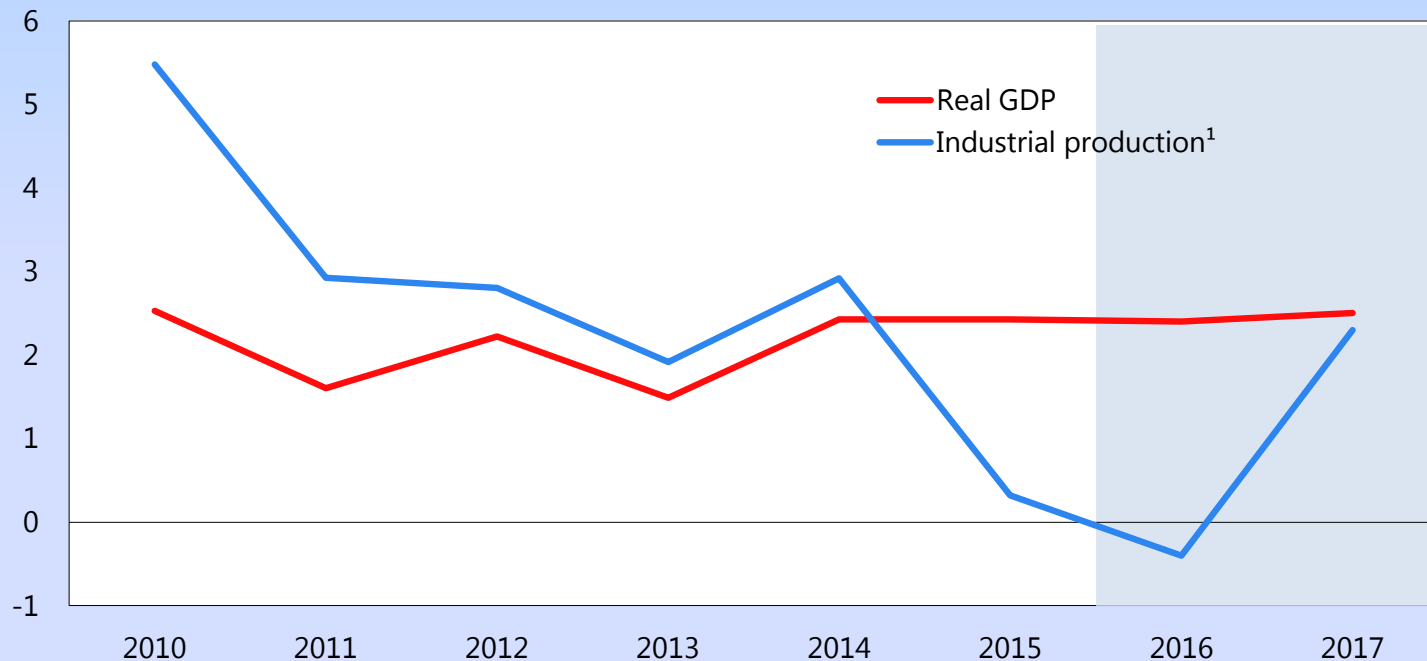
EMBIG and CEMBI Spreads
(In basis points)



Sources: National authorities; Haver Analytics; EPFR; INS; Bloomberg; and IMF staff calculations.

Main risks to the outlook: Weaker than expected US growth and US industrial production

US Industrial Production and Real GDP Growth
(Percent)

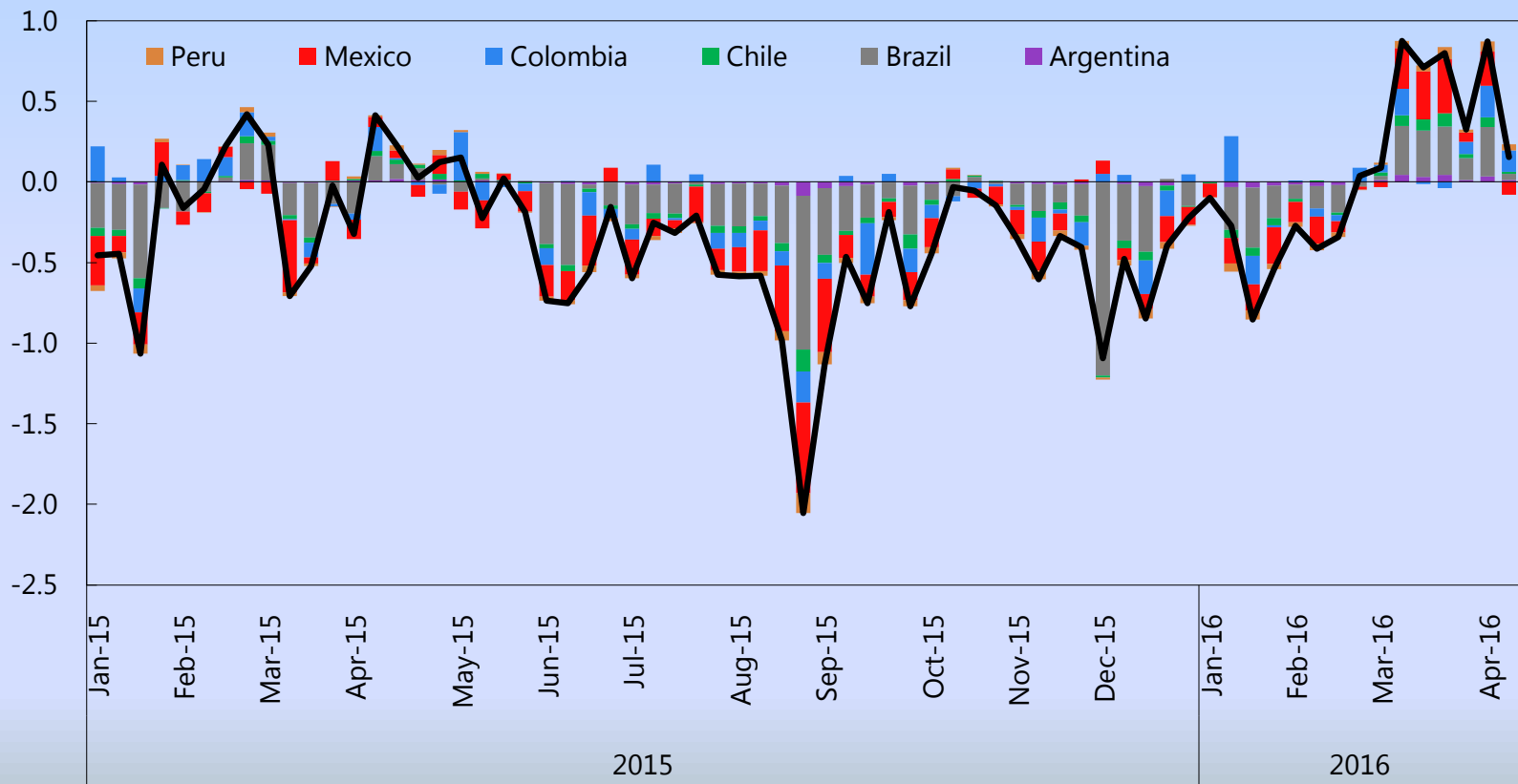


Sources: BEA; FRB; Haver Analytics; and IMF staff estimates.

¹Blue chip consensus forecasts.

Main risks: Renewed episodes of capital outflows from EMs

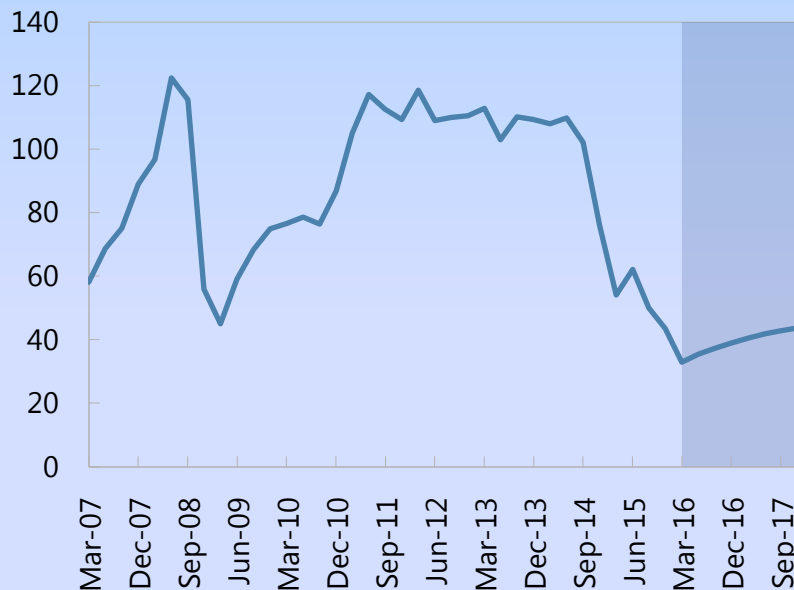
Equity and Bond Flows
(Billions of U.S. dollars)



Source: EPFR website.

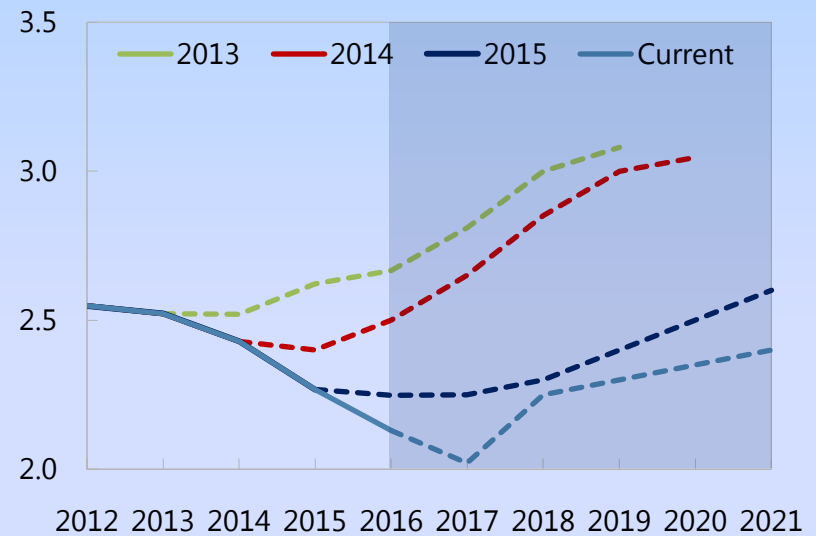
Main Risks: Failure of oil prices to recover or further declines in oil production

Brent Price
(U.S. dollars per barrel)



Source: World Economic Outlook, April 2016.

Mexico: Oil Production Forecast Vintages
(In millions of barrels per day)



Source: IMF staff estimates.

Longer-term challenges

- Further strengthen the rule of law
- Reduce high levels of informality
- Increase productivity
- Raise female labor force participation